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Blackdome Mining Corp

A highgrade winner... for now

By William Annett

Blackdome Mining Corp is a rarity in British Columbia gold mining these days. The low-tonnage, high-grade mine, 140 miles north of Vancouver, has quietly been in production for the past three years.

Owned (50.7 per cent) by **MinVen Gold Corporation** of Denver, Blackdome has 100 per cent of an underground high-grade operation that produces enough gold and silver to achieve net earnings of $1.9 million. It also has a debt-free balance sheet and a dividend amounting to much of the 22 cents per share in earnings for the last fiscal year, despite the fact that 1988 was only the second full year of production at the mine.

With relatively high costs (currently running $403 an ounce) Blackdome's profitability would be marginal without depreciation and exploration costs factored in.

The past year has witnessed production of 51,000 ounces of gold, 182,000 ounces of silver, the discovery of three new mineralization zones and the acquisition of 20,000 additional adjacent acres of mineral lands. Major exploration and underground development progams also began.

Management is of the opinion that, because of its financial stability, the company can take advantage of other opportunities despite the current uncertain gold market.

With the short mine life available (three years), management continues to face the challenge that has been present since the production decision was made in 1985. That challenge has been met by continued expansion of existing reserves and the discovery of new orebodies. After three years of operation, although the anticipated mine life is still 2.5 years, that priority continues. The company points out that, while high grade reserves of this type are difficult to develop, they are profitable when they are identified.

Steady improvements installed since the mill's opening in 1986 have pushed operations to 240 tons per day, or about 20 per cent over design capacity. Resulting throughput reached close to 88,000 tons of ore by the end of 1988, with an average grade of 0.63 oz/ton gold and 2.96 oz/ton silver. With recoveries reaching 93.4 per cent for gold and 71.7 per cent for silver, production for that year totalled 51,629 ounces of gold and 182,106 ounces of silver, both substantial increases over totals for the previous year.

Underground mining was carried out in 15 stopes on four levels. New development and exploration drifting totalled 17,448 feet.

Substantial increases in cash operating costs were experienced, amounting to $15.5 million or $300 per ounce of gold (as compared with the previous year's $260, and $196 in the initial year). These costs, exclusive of exploration and net change in inventory, according to management, were occasioned by greater development activity, longer haulage distances and higher expenditures for increased ground control.

During 1989, operations were suspended for two months due to extreme cold and a fire that seriously damaged minesite generating facilities. Management does not expect the fire to affect the level of overall production for the year, and the cost of the fire was fully covered by insurance.

Blackdome management, facing an initial orebody of limited proportions, has aggressively pursued an exploration program in areas adjacent to all of the active veins — No. 1 and No. 2 Veins, the Watson, Redbird, Giant and No. 17 Veins. The objectives are to replace mined reserves, discover new reserves and provide an expanded data base to support ongoing development work. The total progam involved both surface and underground geological mapping, 94,000 feet of diamond drilling, 4,200 feet of exploration drifting and an air-

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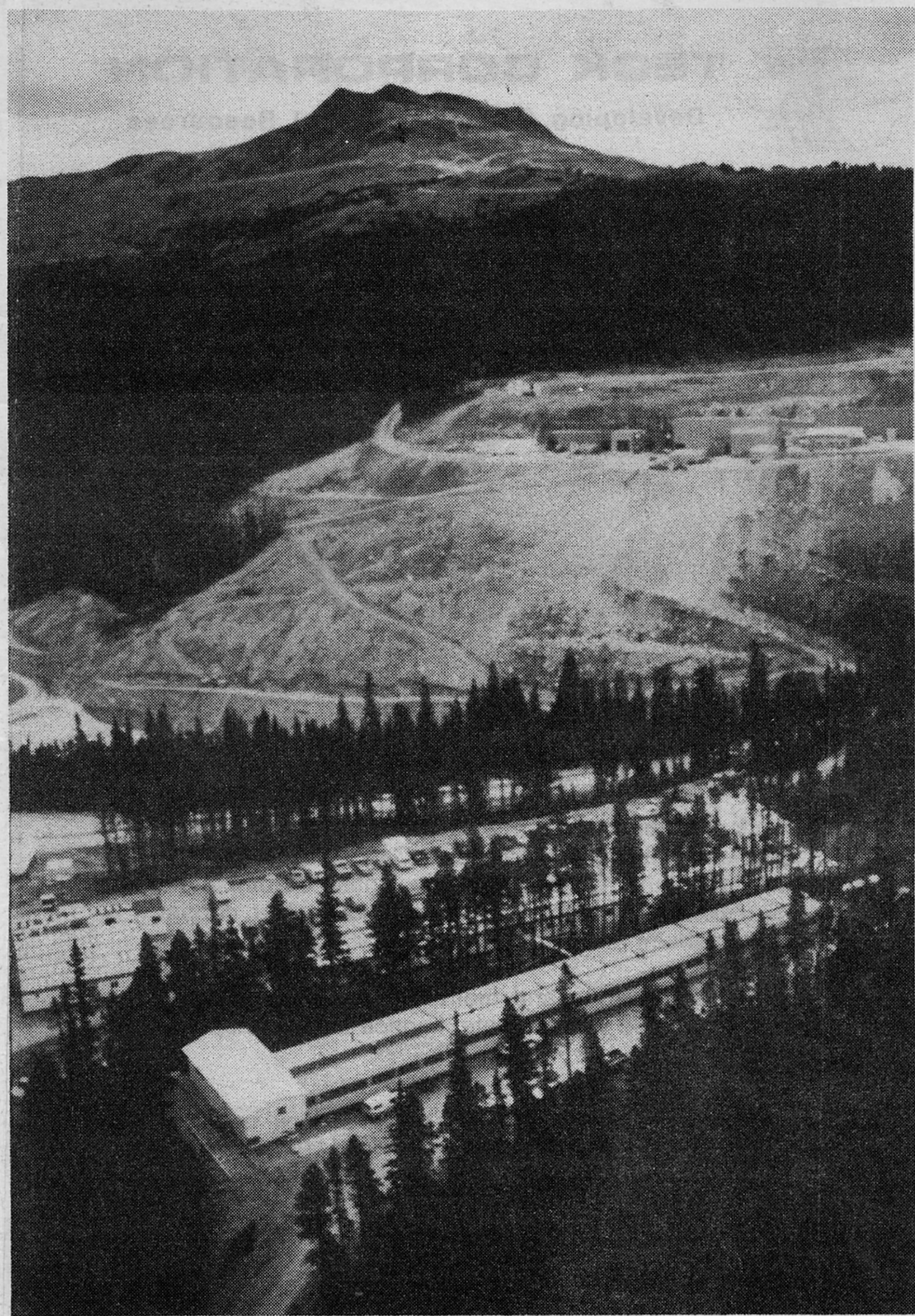

Blackdome management are aggressively exploring areas adjacent to all active veins.

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The Blackdome property is at least trebled by surrounding owned and optioned claims.

borne survey over the whole Blackdome area. Total cost of the program in 1988 was $5.4 million.

Widely varying results were experienced in this program, perhaps most spectacular in the area of the Giant Vein, the most northerly area of interest on the property. Here, cores were pulled averaging from 0.14 to 3.66 oz/ton gold. Since the current Blackdome property occupies an area that is at least trebled by surrounding wholly-owned and optioned claims, the potential for continuing expansion of reserves by exploration and development activity seems to be substantial.

An interesting figure for 1988 that reflects the result of this extended activity is that 67 per cent of all ore mined was replaced. Even more impressive is the fact that 88 per cent of all ore mined since production decision in 1985 has been since made available through the discovery of new reserves.

MinVen Gold Corp

The strategy of Blackdome management has been closey supported by the parent MinVen Gold Corp. Based in Denver, MinVen is a growing gold-producing company with interests ranging from 100 per cent to a minority, joint-venture interest in five gold mining properties. In addition to Blackdome, it holds 100 per cent interest in the Gilt Edge Mine in South Dakota, a 50 per cent joint venture interest in the Stibnite Mine in Idaho, a 33 per cent joint venture interest in the Golden Reward Mine in South Dakota, and a 25 per cent joint venture interest in the Cactus Mine in California. For 1989, MinVen's total metal production from these five mines will approximate 100,000 ounces of gold and 140,000 ounces of silver.

With total revenue of $34 million in 1988, the last complete year for which figures were available, MinVen had $1.7 million in operating income, $91,000 in net income and a negative cash flow. Substantially higher production levels and revenue are expected from 1989 results, and expansion of all projects points toward a doubling of total metal production by 1992.

Typical is the Gilt Edge property near Rapid City, South Dakota, five miles from the Homestake Mine. Gilt Edge, owned 100 per cent by MinVen, is a combined heap leach and milling operation, with an ore body of at least 54 million tons grading 0.041 oz/ton gold. A major expansion of this facility is under way.

Blackdome's parentage may be spread — with the parent company in Denver, its stock is listed on both the VSE and the TSE — but the subject matter is clearly Canadian. Its executive office is in Toronto, mine office at Clinton, B.C., and its records office in Vancouver.

With barely three years of mine production under its belt, Blackdome demonstrates a surprising financial maturity. Its balance sheet is clean, with $13

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million in fixed assets, including property, plant and equipment and total assets over $26 million. It has no bank or funded debt, negligible liabilities, mostly deferred taxes and shareholders' equity of over $20 million.

Although operating income declined in 1988 from the year before, other income succeeded in its achieving net earnings of close to $2 million. A dividend was paid, surprising in such a junior producer. Combined with the aggressive plan management has demonstrated in expanding and developing further reserves, the outlook for shareholder relations is good.

Blackdome is in a way the inverse of most junior producers in western North America. Engaged in mining high-grade ore with modest reserves and throughput, it stands out in stark contrast to the numerous mining companies involved in high-tonnage, low-grade heap leach operations, usually achieved only under a towering debt load. Under the right circumstances, both are right when they are pofitable.

Blackdome has been profitable since the first partial year of operation in 1986. Its challenge has been, and will continue to be, the building of reserves rather than debt.